

**PARAMOUNT SPINNING MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

**1 THE COMPANY AND ITS OPERATIONS**

Paramount Spinning Mills Limited (the Company) was incorporated as a public limited Company on 22 August 1981 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office is located at Finlay House, I.I. Chundrigar Road, Karachi. The manufacturing facilities of the Company are located at Kotrti, Chunian, Ferozewattwan and Raiwind. The Company is principally engaged in progressive manufacture and sales of cotton yarn, fabric, yarn dyeing, garments and home textile products.

**2 BASIS OF PREPARATION OF FINANCIAL INFORMATION**

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The condensed interim financial information are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi and Lahore Stock Exchanges.

The condensed interim financial information should be read in conjunction with the annual financial statement for the year ended June 30, 2010.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and method of computations adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statement of the company for the year ended June 30, 2010.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**4 ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that effect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual result may differ from these estimates made by the management in applying the Company's accounting policies and the key sources of estimates were same as those applied to the financial statement for the year ended June 30, 2010.

**5 PROPERTY, PLANT AND EQUIPMENT**

	Operating assets	Capital work in progress	(Un-audited) 31 December 2010	(Audited) 30 June 2010
----- (Rupees ) -----				
<i>Cost</i>				
Opening balance	1,423,358,747	3,266,325	1,426,625,073	1,387,886,405
Additions / deletion-net	15,168,073	4,756,042	19,924,115	38,738,667
	<u>1,438,526,820</u>	<u>8,022,367</u>	<u>1,446,549,188</u>	<u>1,426,625,072</u>
<i>Accumulated depreciation</i>				
Opening balance	(663,215,570)	-	(663,215,562)	(625,221,941)
For the period / disposal	(20,818,260)	-	(20,818,260)	(37,993,629)
	<u>(684,033,830)</u>	<u>-</u>	<u>(684,033,822)</u>	<u>(663,215,570)</u>
Written down value	<u>754,492,990</u>	<u>8,022,367</u>	<u>762,515,366</u>	<u>763,409,503</u>

5.1 The Company has given on rent power looms having cost of Rs. 100.49 (June 2010: Rs. 100.49) million and book value of Rs. 57.109 (June 2010: Rs.58.574) million to Gulshan Weaving Mills Limited (an associated company) for production of fabric. The looms are installed at the premises of associated company.

## 6 LONG TERM INVESTMENTS

Associated companies 6.1 447,342,573 448,247,039

### 6.1 Associated Companies

#### Listed

Gulistan Textile Mills Limited 6.2 320,171,727 308,255,041

Gulistan Spinning Mills Limited 6.3 9,069,004 6,812,717

#### Unlisted

Gulistan Fiber Limited 6.4 92,173,762 88,615,539

Gulistan Power Generation Limited 6.5 25,928,080 44,563,742

447,342,573 448,247,039

### 6.2 Gulistan Textile Mills Limited

1,648,740 (June 2010: 1,648,740) Ordinary shares

of Rs.10 each 108,659,040 108,659,040

Share of post acquisition profits 166,758,742 155,167,594

Share of surplus of revaluation of land 46,402,685 44,428,407

Less: Dividend received (1,648,740) -

320,171,727 308,255,041

6.2.1 Fair value of investments in associates is Rs.30.716 millions (June 2010: Rs 35.712 millions)

6.2.2 The Company holds 8.68% (June 2010: 8.68%) of equity of Gulistan Textile Mills Limited. The investee Company is an associate of the Company by virtue of common directorship.

December 31, 2010

June 30, 2010

Rupees

### 6.3 Gulistan Spinning Mills Limited

202,777 (June 2010: 202,777 ) ordinary shares

of Rs 10 each 2,346,250 2,346,250

Share of post acquisition profits 5,703,232 3,299,825

Share of surplus on Revaluation of land 1,222,299 1,166,642

Less: Dividend received (202,777) -

9,069,004 6,812,717

6.3.1 Fair value of investments in associates is Rs. 1.397 million (June 2010: Rs 1.134 millions).

6.3.2 The Company holds 1.39% (June 2010: 1.39%) of equity of Gulistan Spinning Mills Limited. The

investee Company is an associate of the Company by virtue of common directorship.

	<b>Unaudited</b> <b>December 31, 2010</b>	Audited June 30, 2010
	<b>Rupees</b>	
<b>6.4 Gulistan Fibres Limited</b>		
741,185 (June 2010: 741,185) ordinary shares of Rs 10 each	<b>5,530,760</b>	5,530,760
Share of post acquisition profits	<b>77,107,185</b>	73,456,836
Share of surplus on revaluation of land	<b>9,535,817</b>	9,627,943
	<b>92,173,762</b>	88,615,539

**6.4.1** The Company holds 37.30%(June 2010: 37.30%) of equity of Gulistan Fibres Limited. The investee Company is an associate of the Company by virtue of common directorship

**6.4.2** The Companys' break up value per share is Rs. 115.21 (June 2010: Rs. 103.6) as per latest available unaudited financial information for the half year ended December 31, 2010

	<b>Unaudited</b> <b>December 31, 2010</b>	Audited June 30, 2010
	<b>Rupees</b>	
<b>6.5 Gulistan Power Generations Limited</b>		
2,465,980 (June 2010: 2,465,980) ordinary shares of Rs 10 each	<b>22,418,000</b>	22,418,000
Share of post acquisition profits	<b>3,510,080</b>	7,198,237
Share of surplus on revaluation of land	-	14,947,505
	<b>25,928,080</b>	44,563,742

**6.5.1** The Company holds 33.76% (June 2010: 33.76%) of equity of Gulistan Fibres Limited. The investee Company is an associate of the Company by virtue of common directorship

**6.5.2** The Company's Break up value per share is Rs. 25.32 (June 2010: Rs. 26.98) as per latest available unaudited financial information for the half year ended December 31, 2010

## 7 CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

There is no change in the contingencies as disclosed in Note 29.1 to the annual published financial information for the year ended June 30, 2010.

	<b>Unaudited</b> <b>December 31, 2010</b>	Audited June 30, 2010
	<b>Rupees</b>	
<b>7.2 Commitments</b>		
Building and Civil works	<b>2,900,000</b>	1,492,421
Confirmed letters of credit in respect of raw material	<b>124,040,732</b>	326,915,956
Guarantees issued to Collector of Custom	<b>18,851,700</b>	13,525,646
	<b>145,792,432</b>	341,934,022
Bills discounted	<b>537,569,243</b>	417,227,174

-----Unaudited-----

8	NET SALES	Quarter Ended		Half Year Ended	
		31 December	31 December	31 December	31 December
		2010	2009	2010	2009

	31 December 2010	31 December 2009	31 December 2010	31 December 2009
----- (Rupees) -----				
Local	477,549,166	192,596,964	788,281,179	525,795,303
Export	883,839,745	504,866,488	1,651,108,971	935,200,652
	<b>1,361,388,911</b>	697,463,452	<b>2,439,390,150</b>	1,460,995,955
Sales tax	(111,396)	(103,557)	(111,396)	(103,557)
Quality claim	(2,568,430)	(27,140)	(2,568,430)	(27,140)
	<b>(2,679,826)</b>	(130,697)	<b>(2,679,826)</b>	(130,697)
	<b>1,358,709,085</b>	697,332,755	<b>2,436,710,324</b>	1,460,865,258

**9 COST OF SALES**

Stock - opening	552,834,971	471,559,393	571,221,463	513,590,737
Cost of goods manufactured 9.1	<b>962,202,087</b>	574,530,339	<b>1,805,612,259</b>	1,139,551,625
Purchased of finished goods	<b>125,096,822</b>	28,149,681	<b>162,717,201</b>	66,792,459
	<b>1,087,298,909</b>	602,680,020	<b>1,968,329,460</b>	1,206,344,084
Stock - closing	<b>(553,629,902)</b>	(504,373,981)	<b>(553,629,902)</b>	(504,373,981)
	<b>1,086,503,978</b>	569,865,432	<b>1,985,921,021</b>	1,215,560,840

**9.1 Cost of goods manufactured**

Work in process- opening	141,667,596	40,220,748	131,116,537	51,045,236
Raw material & component consumed	<b>784,764,577</b>	446,530,575	<b>1,433,880,201</b>	840,183,992
Overheads	<b>203,224,614</b>	156,726,504	<b>408,070,221</b>	317,269,885
	<b>987,989,191</b>	603,257,079	<b>1,841,950,422</b>	1,157,453,877
Work in process- opening	<b>(167,454,700)</b>	(68,947,488)	<b>(167,454,700)</b>	(68,947,488)
	<b>962,202,087</b>	574,530,339	<b>1,805,612,259</b>	1,139,551,625

**10 EARNING PER SHARE - BASIC AND DILUTED**

Profit after taxation for the period - Rupee	<b>122,124,707</b>	24,399,344	<b>176,108,021</b>	30,279,039
Average number of ordinary shares in issue during the period	<b>17,352,329</b>	17,352,329	<b>17,352,329</b>	17,352,329
Basic and diluted earnings per share - Rupee	<b>7.04</b>	1.41	<b>10.15</b>	1.74

During the period the Company issued 1,577,484 (Dec 2009: 1,434,076) ordinary shares of Rs. 10 each as bonus shares. Accordingly earnings per share of comparative period has been restated.

Unaudited  
31 December 2010      31 December 2009  
(Rupees )

Note

**11 Cash flows from operating activities**

Profit before taxation	<b>216,537,809</b>	43,203,503
<b>Adjustments for :</b>		
Depreciation	<b>20,818,260</b>	20,747,524
Provision for gratuity	<b>9,088,879</b>	5,487,126
Interest on bank deposit accounts	<b>(174,798)</b>	(568,158)
Worker profit participation fund	<b>10,829,130</b>	2,020,964
Gain on sale of investment	-	(450,700)
Share of profit from associates	<b>(13,956,747)</b>	(3,983,276)
Dividend income	-	(311)
Deferred income	<b>(378,966)</b>	(315,805)
Exchange gain on foreign currency	<b>(193)</b>	(1,948)
Financial charges	<b>116,634,689</b>	110,054,731
	<b>142,860,254</b>	132,990,147
<b>Movement in:</b>		
<b>Working capital</b>		
Stores and spares	<b>(5,680,717)</b>	(4,896,177)
Stock-in-trade	<b>(112,762,486)</b>	165,285,172
Trade debts	<b>64,959,547</b>	33,357,130
Loan and advances	<b>847,055</b>	(8,565,397)
Deposits and prepayments	<b>4,078</b>	(480,276)
Other receivables	<b>(11,360,489)</b>	(8,235,525)
Trade and other payables	<b>241,685</b>	(92,466,920)
	<b>(63,751,327)</b>	83,998,007
Movement in long term deposits	<b>815,089</b>	572,401
<b>Cash generated from operations</b>	<b>296,461,825</b>	260,764,058
Gratuity paid	<b>(4,088,744)</b>	(5,962,499)
Dividend paid	<b>(8,698,286)</b>	-
WWF paid	<b>(1,964,854)</b>	-
Financial charges paid	<b>(123,197,500)</b>	(104,751,608)
Taxes paid	<b>(20,012,981)</b>	(13,852,965)
<b>Cash generated from operating activities</b>	<b>138,499,460</b>	136,196,986

**12 SEGMENT INFORMATION**

For the half year ended December 31, 2010 - Unaudited

	Spinning	Dyeing	Garments	Weaving	Total
	----- (KILOEES) -----				
<b>Sales</b>	1,551,215,143	268,041,970	609,588,009	7,865,202	<b>2,436,710,324</b>
<b>Operating profit</b>	303,304,529	15,737,487	18,423,142	5,160,727	<b>342,625,885</b>
<b>Other operating expense</b>					<b>12,150,017</b>
<b>Finance cost</b>					<b>130,356,135</b>
<b>Other operating income</b>					<b>2,461,330</b>
<b>Share of profit from associate</b>					<b>13,956,747</b>
<b>Taxation</b>					<b>40,429,788</b>
<b>Profit after tax</b>					<b>176,108,021</b>

For the half year ended December 31, 2009 - Unaudited

	Spinning	Dyeing	Garments	Weaving	Total
	----- (KILOEES) -----				
<b>Sales</b>	1,043,167,557	155,824,936	251,193,938	10,678,827	<b>1,460,865,258</b>
<b>Operating profit</b>	117,606,746	22,915,765	22,368,469	5,052,545	<b>167,943,525</b>

Operating profit	117,606,746	22,915,765	22,368,469	5,052,545	<b>167,943,525</b>
Other operating expense					<b>2,928,291</b>
Finance cost					<b>127,432,009</b>
Other operating income					<b>1,637,001</b>
Share of profit from associate					<b>3,983,276</b>
Taxation					<b>12,924,464</b>
Profit after tax					<b>30,279,039</b>

### 13 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises associated Companies, directors and key management personnel. Transaction with related parties are carried out on arm's length basis. Aggregate transaction with associated companies during the period were as follow.

Nature of Transaction	Relationship with company	Unaudited	
		December 2010	December 2009
		Rupees	
Sales	Associated Company	<b>86,621,470</b>	140,359,938
Dyeing Charges/Loom rent	Associated Company	<b>11,903,066</b>	12,453,892
Purchases	Associated Company	<b>365,260,406</b>	182,965,729
Processing charges	Associated Company	<b>43,535,520</b>	42,650,421
Remuneration	key management personnel	<b>5,559,678</b>	1,478,313
Finance cost	Associated Company	<b>3,028,392</b>	-
Post retirement benefit	Defined benefit plan	<b>9,088,879</b>	5,487,126
		<b>Unaudited</b>	<b>Audited</b>
		<b>December</b>	<b>June</b>
		<b>2010</b>	<b>2010</b>
<b><u>Balances</u></b>		<b>Rupees</b>	
Receivables	Associated Company	-	32,169,608
Payables	Associated Company	<b>67,530,116</b>	33,164,324
Post retirement benefit	Defined benefit plan	<b>43,869,591</b>	38,869,456
Accrued Mark up	Associated Company	<b>1,542,315</b>	3,513,923
Short term borrowing	Associated Company	<b>33,562,236</b>	58,562,236

- 14 Sponsor Directors, spouses and their family members have waived their right to receive 10 % cash dividend amounting to Rs.5.598 million as approved in the Annual General Meeting by the shareholders held on October 29, 2010.

### 15 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors on February 28, 2011.

### 16 COMPARATIVES

Previous figures have been rearranged and reclassified wherever necessary for the purpose of better presentation in the condensed interim financial information. There were no major reclassifications or rearrangement for the period.

## 17 GENERAL

Figures have been rounded off to the nearest rupees.

This condensed interim financial information is not signed by the Chief Executive as he is out of the country.

This information is disclosed as required under Section 241(2) of the Companies Ordinance, 1984.

**Director**

**Director**